

Testimony of  
Griffin Hospital President & CEO Patrick Charmel  
Submitted To The  
Human Services Committee  
Tuesday, March 2, 2010

HB 5328, An Act Implementing SAGA Hospital Rate Increases

Griffin Hospital appreciates the opportunity to submit testimony in support of HB 5328, An Act Implementing SAGA Hospital Rate Increases.

Connecticut hospitals are experiencing unprecedented financial challenges and uncertainties. Substantial increases in free care and bad debt, a potential Medicare provider payment reduction as part of national health care reform and lack of clarity as to whether budgeted increases in SAGA hospital payment rates will be implemented present enormous challenges in managing our hospital as we approach the mid-point of our fiscal year.

These challenges only compound the experience of 2008 and 2009 when Connecticut's hospitals lost more than \$300 million per year due to under-reimbursement for Medicaid and SAGA patients. In addition, during those two years, non-operating (investment) income fell short of what was expected by over \$620 million. The magnitude of that loss cannot be overstated. We expect it will take well over a decade to recover what was lost. Finally, since the start of the recession, about 100,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and State Administered General Assistance (SAGA) populations have increased by 75,000. Combined enrollment in those programs now stands at about 500,000 – a little more than 14% of the state population. The unemployment rate in Griffin's primary service area continues to hover around 9.5% and is likely to rise as Shelton based HealthNet, with over 900 employees, begins to rapidly downsize as a result of being acquired by United Healthcare.

The SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and community health centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate. The Medicaid rate covers about 70% of the cost of care, so at 43% of the Medicaid rate, SAGA hospital rates pay just 30 cents for every one dollar of care provided.

While the federal government pays for half the expenses of the state's Medicaid program, the state pays the majority of the cost of SAGA. With the goal of maximizing available federal funds, the General Assembly has twice recognized the importance of seeking an 1115 waiver for the SAGA program. Section 17b-192(g) of the Connecticut General Statutes – passed in 2003 and reaffirmed in 2007 – requires that the Commissioner of the Department of Social Services

submit an application to the federal government for such a waiver by March 1, 2004 and January 1, 2008, respectively.

Converting SAGA to Medicaid requires removing the cap on SAGA funding and increasing SAGA payments to providers to the Medicaid rate. Despite an estimated 30 percent increase in hospital payments and a 5 percent increase in non-hospital payments that would be required by the state under the waiver, the increase in federal funding would more than offset the increase in cost; the state would save approximately \$28 million per year over current expenditures, while hospitals and other providers would get the benefit of \$45 million in increased SAGA funding. For Griffin Hospital, the increase in SAGA reimbursement would amount to over \$500,000 annually.

DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law to obtain the 1115 waiver in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** To prevent additional financial harm to Connecticut hospitals the state should effective July 1, 2010, start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program.

HB 5328 acknowledges that the funding to pay hospitals at the Medicaid rate is already appropriated, and directs DSS to pay hospitals in accordance with that appropriation without a cap. I urge you to pass HB 5328.